

Questions for DNR's Independent Review Committee  
From University of Washington  
September 2004 (updated 9/10/04 due to DNR 9/17/04)

1. The focus of this Committee appears to be primarily on trust land management and RMCA. Yet, there are other DNR-Administered Funds that presumably share in the overhead to support DNR operations. Are those funds being reviewed as well? If an increase to RMCA % is recommended, will the other DNR-Administered Funds have corresponding increases in overhead to support DNR administration and agency functions?
2. Will the Committee review the segregation of costs tied to the federal/state legal requirements versus public benefit targets? The trusts need to bear the cost of the federal/state requirements but arguably should be exempt from any non-federal/state requirements that increase costs and decrease revenues.
3. How are direct and indirect costs being allocated for each of the asset classes? How do RMCA revenues generated for each asset class (e.g. timber, agriculture, aquatic, commercial etc.) match up to related expenditures (both direct and indirect)? If costs & revenues are managed in aggregate at the trust level, will changes be considered to better match management costs to RMCA revenues generated on an asset class basis (e.g. cost accounting)? For example, management of timber lands is certainly more time consuming than a commercial building with a long term lease. Please note we are not suggesting for a specific review of non-upland trust revenues and expenditures, only a comparison.
4. Will the private sector be surveyed to obtain management cost data and, where applicable, compare to DNR management costs (by asset class per #3 above) to ascertain opportunities for further management efficiencies and savings?
5. Inventory of standing timber is expected to increase by 45% over the next 64 years up to 45 billion bf. What would be the required increase in timber harvested to produce the necessary RMCA revenue at the 25% rate to meet associated costs? How does this required amount of harvesting compare to the sustainable harvest calculation?
6. What are the market expectations and DNR projections for real timber price increases over the next couple decades? How have these real price increases, if any, and the timber age-class schedule been factored into the harvesting plans?
7. How do the current land treatments compare to the most economically efficient land treatments? If there is a difference, what is the impact on revenue, related RMCA revenue and associated management costs? Please share with the Committee and the beneficiaries the economic analyses performed that indicate

how the trusts were impacted (either positively or negatively) by the recent sustainable harvest calculation.

8. Are there other sources of revenues that can be examined to meet the needs for managing the timber trusts?
9. Finally, for any recommended changes, please prepare an economic analysis detailing the impact of a proposed RMCA fee adjustment on the trust beneficiaries.